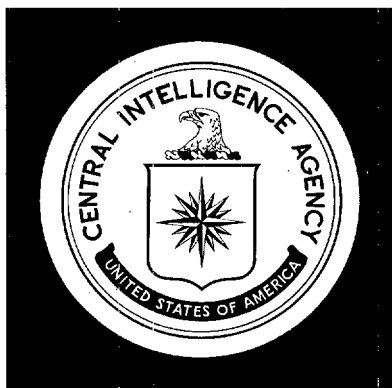


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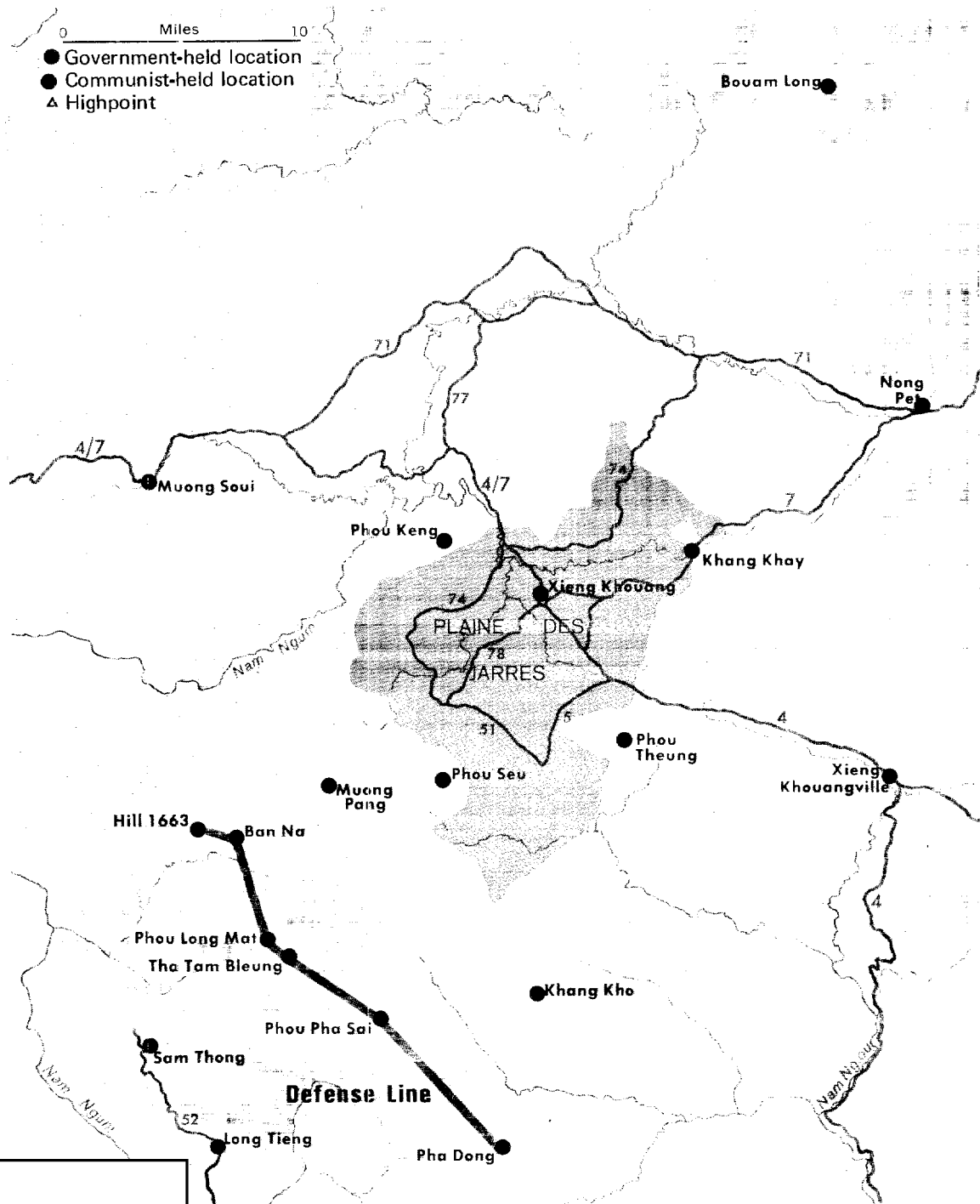
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LAOS: PLAINE DES JARRES AREA



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[LAOS: The North Vietnamese are continuing to reposition and resupply their forces north and east of the Long Tieng complex.

Air observers report very heavy enemy activity around Muong Pang, suggesting that it will be used as a base to support a thrust by elements of the 316th Division toward the northeastern end of the government's defensive line around Long Tieng. The Muong Pang area is honeycombed with caves the North Vietnamese have used to protect supplies and troops in the past. Air observers have also noted continuing heavy enemy activity on the southwestern edges of the Plaine, an area which could serve as a base for offensive operations by elements of the 312th Division.

Little progress has been made in closing the gaps in the government's defensive line at Ban Na and Phou Pha Sai. Enemy occupation of these positions would severely handicap the irregulars' ability to mount a stable defense of the Long Tieng complex. The demoralized state of many of the irregular troops suggests that units from other military regions will have to bear the brunt of any new fighting around Long Tieng.

Hanoi has issued a lengthy propaganda statement extolling the victory of the "Lao Liberation Forces" on the Plaine and restating the Communists' claim to this area. The statement seeks to convey the impression that the Communists' current offensive was in response to government attacks against "liberated areas." It makes no reference to Communist goals beyond the Plaine nor to Long Tieng itself. This suggests that the Communists do not want to commit themselves publicly to an objective they are not certain of achieving.

In south Laos, the North Vietnamese appear ready to launch an attack on government positions near Paksong on the Bolovens Plateau. Air observers]

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[report large enemy troop concentrations, numerous truck and tank tracks, and many new AAA positions north of the town. Friendly positions in the area have been subjected to increased shelling attacks, and the morale of the government defenders reportedly is low. The North Vietnamese appear to be trying to isolate government units and to stop their resupply and medical evacuation operations, probably hoping that these tactics--which have proved effective in the past--will cause the government to abandon the positions without an all-out ground assault.

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SOUTH ASIA: The Bangla Desh government has announced plans for organizing the country's armed forces. The danger of serious communal violence persists in both West Pakistan and Bangla Desh.

According to Prime Minister Tajuddin Ahmad, the "regular" Mukti Bahini troops--most of whom are ex-members of Pakistani military or paramilitary units--are to form the core of Bangla Desh's regular armed forces, while the Mukti Bahini "irregulars" will be incorporated into a national militia that will be used in reconstruction efforts. The Mukti Bahini are also to be given preference in staffing the new police force.

The government is anxious to bring the Mukti Bahini under its control before Bangla Desh's image has been further tarnished by reprisals against persons suspected of having collaborated with Pakistan. Although some Mukti Bahini and criminal elements have been terrorizing minority groups--most notably in two towns near Dacca where members of the non-Bengali Bihari community are concentrated--the province-wide bloodbath feared by many observers has not taken place, in part because of the presence of the Indian Army. However, the Mukti Bahini remain armed, and the Indians will not be on the scene indefinitely. Some guerrilla groups probably will be unwilling to acknowledge the authority of the new government and will remain eager to avenge atrocities committed by the Pakistanis and their collaborators.

The Bengali minority in West Pakistan is also living under the threat of violence from West Pakistanis frustrated by their country's recent defeat and angered by reports of Bengali reprisals in the east. Anti-Bengali incidents have already been reported in the Karachi area, and President Bhutto has appealed to the people to refrain from such actions. Estimates of West Pakistan's Bengali population vary, with some reports indicating as many as 500,000.

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INDIA - BANGLA DESH: India is preparing to play a major role in Bangla Desh's economic rehabilitation.

Teams already have been dispatched to assist in identifying priority needs for transport, communications, and war-damaged plants. New Delhi has not yet adopted an over-all plan, but preliminary plans reportedly call for expenditures of as much as \$870 million. This will include funds for the return of ten million refugees in India and 20 million displaced persons within Bangla Desh.

New Delhi, for practical purposes, is the major source of much of the goods and services immediately required by Bangla Desh. India has surplus wheat but any rice supplied probably would have to be replaced with imports. India is expected to emphasize the need for international financing--perhaps of a consortium type--to meet heavy long-term requirements.

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YUGOSLAVIA: The open dissension that has wracked the Croatian party leadership has now appeared in the largely Albanian ethnic Kosovo provincial party organization.

Ideologue Milos Sekulovic was expelled from the Kosovo party committee last week after he charged that ethnic tensions were destroying party unity in Kosovo. Sekulovic said that Albanian nationalism has taken on the "character of separatism" and that it has been encouraged by Serb and Montenegrin nationalism, as well as "other reactionary forces." The Albanian members of the Kosovo leadership claimed that their Serbian colleagues were trying to associate them with the recent nationalist excesses in Croatia, and accused them of smear tactics for demanding an investigation of Albanian nationalism at Pristina University.

Sekulovic is the first prominent party official outside Croatia to be ousted as national animosities disrupt Yugoslavia's political life. The federal party presidium will meet today in an attempt to formulate an agenda for the second party conference late next month. Last week the presidium authorized its executive bureau to cut back from 14 to 8 members but was unable to agree on the make-up or responsibilities of a streamlined executive. Younger members of the federal party leadership apparently fear that too much power could be concentrated in a smaller bureau and that the reduction might set the stage for a reversal of party decentralization and allow more federal intervention in republic affairs.

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NICARAGUA: Strong pressure from the opposition has caused the government to reject the Social Christian Party's petition for legal status.

Conservative Party leader Fernando Aguero persuaded President Somoza to block inscription of the small Social Christian Party, thus preserving his party's status as the only legal opposition in the constituent assembly election in February. This election replaces general elections, and the assembly will become a congress for two years after it revises the constitution. The decision announced on 21 December, although based on legalities, is essentially a political one; Somoza and other Liberal Party leaders apparently felt it more convenient to alienate a minor party than to antagonize the Conservatives.

The government is certainly strong enough to take such action with relative impunity. Prominent members of both Liberal and Conservative parties, however, feel the action was unnecessary. One of the long-term effects may be an increase in political violence; the government not only has denied a segment of the opposition the escape valve of peaceful electoral activity, but has given credibility to extremist arguments that meaningful political change in Nicaragua can come only through violence.

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USSR-CHILE: Andrey Kirilenko, CPSU central committee secretary and politburo member, is en route to Chile as head of a CPSU central committee delegation to the 50th anniversary celebration of the Chilean Communist Party (PCCh) which begins on 2 January. The invitation probably was extended last November when a PCCh delegation to the October Revolution celebration in Moscow met with Kirilenko and other Soviet central committee members. Kirilenko attended the 13th congress of the Chilean Communist Party in October 1965. This is the first high-level Soviet delegation to visit Chile since Allende became President in November 1970.

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JAPAN-EC-US: Both Japan and the EC are likely to exceed the 6.3-million-ton limit on steel exports to the US this year, which each agreed to in 1968. Both also are maximizing earnings by shifting to exports of higher priced steels. A similar shift last year contributed significantly to the \$100-million increase in Japanese steel exports to the US. In the current negotiations to extend "voluntary" restrictions, Japan has agreed to cut the five-percent annual tonnage increase currently allowed to 2.5 percent during the next three years. Details on the product mix remain to be worked out. Chances of a new "voluntary" agreement with the EC steel producers have improved now that the ten-percent US import surcharge has been removed and Japan has agreed to restrain its steel shipments to the EC.

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PERU: Cerro Corporation has offered the government an innovative expansion and buy-out proposal for the company's mining operations. Negotiations are scheduled to begin in January on the terms of the proposal, which call for a 50-percent down payment and a five-year payment schedule for Cerro's properties and facilities valued at \$110 million. Cerro also would assist in carrying out a \$185-million expansion program aimed at increasing mining, smelting, and refining capacity. The increased output is expected to generate sufficient foreign exchange to cover payments to the company. Implementation of the proposal will depend upon obtaining World Bank and Export-Import Bank financing for the expansion program. If successful, the plan could bolster Peru's image with foreign investors and serve as a model for other mutually acceptable self-liquidating foreign investments.

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